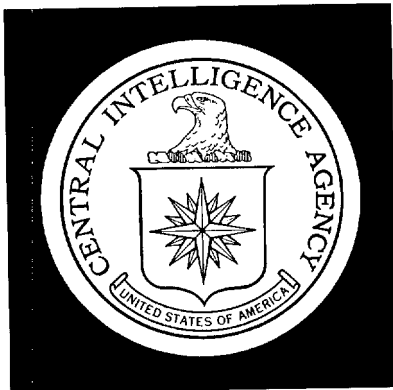


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State Dept. review completed

№ 041

12 July 1971

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Approved For Release 2003/08/08 : CIA-RDP79T00975A019500040001-1

Approved For Release 2003/08/08 : CIA-RDP79T00975A019500040001-1

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No. 0165/71
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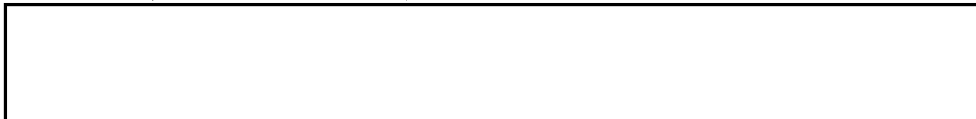
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MOROCCO: An ill-managed attempt to overthrow the monarchy on Saturday has failed, but the imposition of military rule is likely to compound the discontent that pervades the country.

The King, who escaped unscathed from a three and a half-hour siege at his summer palace of Skhirat, 15 miles south of Rabat, transferred all civil and military power to General Oufkir, the ruthless minister of interior, who now has a free hand to round up the insurgents and clean out the army.

The King has pointed to the director of his military cabinet, Brigadier General Mohamed Medbouh, as the instigator of the coup attempt. Medbouh, who was killed in the fray, had long been cited both for his ability and his loyalty to the King.

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The attackers apparently consisted only of some 1,400 young enlisted men, students at the Non-commissioned Officers School near Fez, about 130 miles northeast of Rabat. They were commanded by the school's commandant, Lieutenant Colonel M'hamed Ababou, who was killed, and a handful of officers. The commanders of the Kenitra, Marrakech, and Taza military regions were also reported to be involved, and at least one of them has been arrested.

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[The rebel force attacked the palace at about 1330 local time where 500 guests, including all the diplomatic corps, were celebrating the King's 42nd birthday. Subsequently, they seized the radio station, the palace, army headquarters, the Ministry of the Interior, and other government offices in the center of Rabat. At the height of this attack, the radio broadcast an announcement that the King was dead and a republic under a revolutionary command council had been established. By mid-day Sunday, loyal forces--mainly armored units and the elite shock troops--had retaken all points except perhaps the palace, and insurgents who had scattered throughout the city were being rounded up. The fate of several high-ranking hostages is unknown.

About 200 persons, including 158 insurgents, have been killed. Among them were the de facto commander of the armed forces, the commander of the air force, and the King's chief aide. Also dead are the Belgian ambassador, the minister of tourism, the president of the supreme court, and the commander of the gendarmerie. Among the wounded were the King's brother, the Saudi ambassador, and the minister of youth and sports.

The press reported that on Saturday evening groups of youths scattered through the streets of Rabat ripping down the King's portraits and shouting that the republic had been proclaimed. By Sunday afternoon, however, Rabat was calm and the authorities were organizing demonstrations of loyalty to the King. There were no known disturbances outside Rabat.

Libya immediately announced support for the insurgents. This has led Hassan to conclude that the coup attempt had foreign support. The Libyans also sent an emissary to Algiers to consult with Boumediene. Boumediene, however, was prompt to wire a message of support to Hassan and to send his minister of state, Cherif Belkacem, to assess the situation in Rabat.

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ROMANIA - WARSAW PACT: The Romanian leadership is girding to resist recently increased psychological pressures from its Warsaw Pact allies.

The most recent example of Bucharest's resoluteness surfaced on Friday, when the party newspaper Scinteia published a lengthy article that strongly reaffirmed Romania's independent foreign policy and, in particular, defended party chief Ceausescu's recent tour of Asia. The article pointedly criticized "those" (read Moscow) who try to use an "outside forum to pronounce sentences, to interfere in Romanian internal affairs."

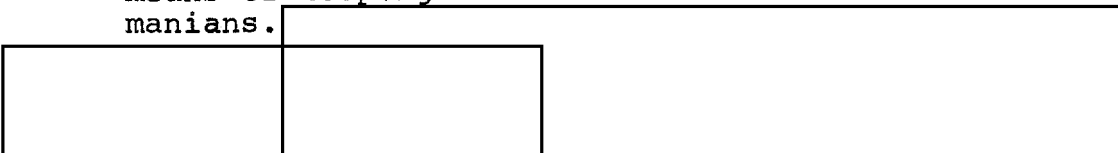
The article also criticized recent Hungarian statements--which Bucharest clearly considers Soviet inspired--including a "distorted" TV commentary on Ceausescu's visit to China. The text of the Hungarian broadcast is not yet available, but it presumably echoed the USSR's displeasure over the trip. Moscow's public reaction to Ceausescu's tour dwelt on Bucharest's alleged failure to abide by the "consultation" clause in the Romanian-Soviet treaty of July 1970, but the dissatisfaction reflects a more general Soviet concern over increased Chinese activity in Eastern Europe.

Meanwhile, the media in Bucharest have been publishing endorsements of Ceausescu's travels in a manner designed to demonstrate to Moscow that all segments of the Romanian party and people stand firmly behind him. The timing of the Romanian leader's call last week for intensification of ideological and cultural orthodoxy may be, in part, a further effort to make clear to the Soviets that he remains in complete control.

Similar gestures can be expected as Bucharest continues to avoid participation in joint Warsaw Pact exercises next month in Bulgaria. Romania's persistent opposition to meaningful participation in joint exercises--whether on foreign or native

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soil--has irritated Moscow repeatedly in recent years. Romanian legislation minutely defines national procedures that must be followed before Bucharest can authorize Romanian participation, or even the transit of foreign troops across Romanian territory, and the Romanians can use this to put off pact demands. The Soviets may already have proposed that Russian troops cross Romania on their way to Bulgaria next month, although there is as yet no direct evidence of this. In any case, Moscow will probably try to use the upcoming exercises as a means of keeping the heat on the recalcitrant Romanians.



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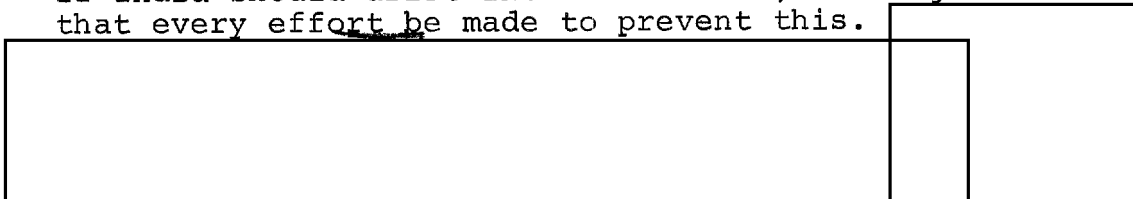
USSR-INDIA-PAKISTAN: The Soviets, troubled by continued agitation in India for direct military intervention in East Pakistan, have intensified their efforts to prevent wider hostilities.

A commentary in the Soviet government newspaper Izvestiya on 9 July provided a pointed reminder to India and Pakistan of Moscow's desire that war on the subcontinent be avoided. The author noted that local clashes have in the past frequently led to broad military conflicts, and urged that India and Pakistan find a peaceful solution to their problems over East Pakistan. The Izvestiya article specifically endorsed Mrs. Gandhi's rebuff to those in India who advocate war with Pakistan.

Moscow's concern also shows through in the remarks of Soviet officials in India, who are engaged in a two-pronged effort to reassure the Indians with pledges of continued support, while cautioning them against actions that could lead to wider hostilities.

25X1 [redacted] the Soviet consul general in Madras recently assured a group of Indian politicians that the USSR is "standing by" India. He cited Moscow's help with the refugee problem and Soviet remonstrances to the Pakistanis as proof of the USSR's support for New Delhi.

The Soviet diplomat seemed preoccupied, however, with the need to avoid a military conflict between India and Pakistan. He reportedly stressed, "with much conviction," that it would be "very bad" if India should drift into such a war, and urged that every effort be made to prevent this.



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CYPRUS: Turkish Cypriot negotiator Denktash has publicly rejected the most recent Greek Cypriot proposals, leaving little apparent room for further progress in the intercommunal talks.

Denktash's comments were in a press release and were apparently not an official reply. Nevertheless, he refuted the Greek Cypriot proposals and said that they masked Makarios' enosis (union with Greece) aspirations with innocuous slogans of "independence and self-determination." Claiming that the Turkish Cypriots could give no more concessions, Denktash said that the ideal solution would be one based on "a complete geographic separation" of the two communities.

The US Embassy in Nicosia says that a Turkish Cypriot contact insists that the official response still leaves the door open for further negotiations. Neither the Greek nor the Turkish Cypriots want to bear the onus for bringing the discussions to a close, and possible further negotiations in Athens, Ankara, and Nicosia could succeed in keeping the talks alive. Nevertheless, the embassy believes that Denktash's public airing of "non-negotiable demands" leaves little room for progress in future talks.

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ICELAND: The three opposition parties, including the Communist-dominated Labor Alliance, agreed on 10 July to form a government and apparently plan to renegotiate Iceland's defense pact with the US.

The agreement came four weeks after national elections in which there was a swing to the left. The main issue in the campaign was the 12-year-old, center-right government's handling of the economy, while--ironically--Iceland's NATO membership and the presence of US forces were all but ignored. The three parties--the Labor Alliance, the agrarian Progressive Party, and the splinter Liberal Left--nevertheless represent those constituencies most opposed to the continuation of the American-manned Icelandic defense force.

US forces have been continuously stationed in Iceland since 1951--the country has no armed forces of its own. This arrangement was renegotiated in 1956, when a previous center-left coalition held office. Traditionally, there has been a link between Iceland's defense policy and economic assistance from the West, and in 1956 it proved possible to preserve the status quo when the US agreed to provide \$9 million in loans. This time,

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[redacted] the object is withdrawal of the defense force in stages over the next four years.

The three members of the new coalition government, to be headed by Progressive Party Chairman Olafur Johannesson, are not natural allies; for example, the leader of the Liberal Left is a defector from the Labor Alliance. The negotiations of the past four weeks have been difficult, and all the parties probably have influential persons who are unhappy with the agreements reached. The chances of the coalition holding together for the full four-year term until the next election are questionable.

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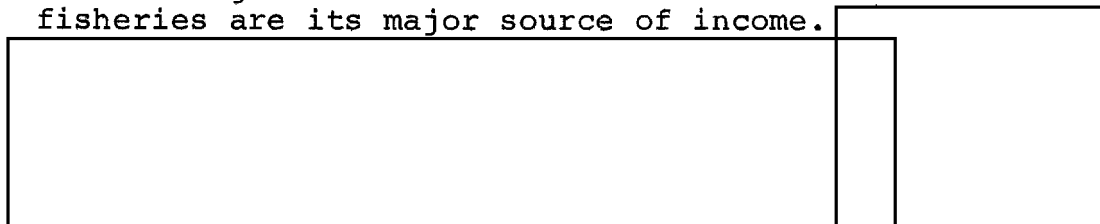
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Among the first acts of the new government, which will be officially formed this week, will probably be the abrogation of its fishing treaties with the UK and West Germany, and the extension of its fishing limits from 12 to 50 miles. Iceland's fisheries are its major source of income.

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INDIA-PAKISTAN: The two countries apparently are moving closer toward repatriation of their diplomats in Calcutta and Dacca. Weeks of frustrating negotiations have gone into hammering out a formula to be used in interviewing former members of the Pakistani Deputy High Commission in Calcutta in order to determine which of the diplomats are genuine defectors to the separatist Bangla Desh movement and which were coerced. Agreement on the final sticking point--a format for assuring safety to "defectors" who might decide to return to Pakistan--has reportedly been reached. Unless further obstacles arise in the next few days, it appears that the Swiss diplomat who has led the negotiations will conduct the interviews in Calcutta this week. Though the issue appears a relatively minor one, it has been widely publicized in both countries and has further embittered relations during this tense period.

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